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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street NW, Room 222
Washington, DC 20554

Federal Communications Commission
Office of Secretary

Re: Ex Parte Presentation -- MCI/BT Transfer of Control
GN Docket No. 96-245

Dear Mr. Caton:

On December 26, 1996, the undersigned counsel supplied a copy of the attached documents to Robert Pepper of the FCC staff, but failed to file an ex parte notice with the Secretary's office. Accordingly, a original and one copy of this notice are being submitted to the Secretary of the FCC, with additional copies to ITS, the International Reference Room, and the Wireless Reference Room, in accordance with the Commission's December 10, 1996 Public Notice in this proceeding. Counsel notes that the attached documents are publicly available in the UK.

Sincerely,

Joan M. Griffin
Its Attorney

cc: Robert Pepper

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December 26, 1996

Mr. Robert M. Pepper
Chief, Office of Plans and Policy
Federal Communications Commission
1919 M Street NW
Room 822
Washington, DC 20554

Dear Mr. Pepper:

I understand that at a December 13, 1996 meeting with BT and MCI staff, you requested some information from Chris Hobson of BT on BT's carrier charges and OFTEL's methodology for agreeing those charges. In response to your request, a copy of BT's Carrier Price List for 1996/97 and of OFTEL's "Interim Charges for BT's Standard Services for Year Ending 31 March 1997 -- Determination and Explanatory Document" are enclosed.

Please contact the undersigned at 703-707-4617 if you need additional information.

Sincerely,

Joan M. Griffin
Attorney

Enclosure

cc: Diane Cornell
Kerry Murray
Mary Brown (MCI)
Jim Graf (BT) (w/o attachments)
Chris Hobson (BT) (w/o attachments)

pepper.doc

BT Group Legal Services
Reston Town Center
11921 Freedom Drive
Reston, VA 22090 USA



**INTERIM CHARGES FOR
BT'S STANDARD SERVICES FOR
YEAR ENDING 31 MARCH 1997**

Determination and Explanatory Document

November 1996

Published by:
The Office of Telecommunications
50 Ludgate Hill
London EC4M 7JJ
Tel: 0171 634 8700
Fax: 0171 634 8943

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DETERMINATION

Whereas the Secretary of the State granted to British Telecommunications on 22 June 1984 a licence (the "BT Licence") under section 7 of the Telecommunications Act 1984 (the "Act") for the running of the telecommunication systems specified in Annex A to that licence;

Whereas by virtue of section 109 of and paragraph 20 of Schedule 5 to the Act the BT Licence has effect as if granted to British Telecommunications plc ("BT");

Whereas OFTEL and BT agreed on 31 March 1995 a list of Initial Standard Services and on 30 January 1996 in accordance with Condition 13.5(2) of the BT Licence, the Director General of Telecommunications determined the Interim Charges payable by Operators of a Relevant Connectable System (as defined in Condition 13), for the Initial Standard Services in BT's 1995/96 financial year;

Whereas in accordance with Condition 16B.2 of the BT Licence BT has referred to the Director General for determination under Condition 13.5(2) the Interim Charges for each Standard Service payable in BT's 1996/97 financial year, the charge for which has been previously determined by the Director General pursuant to Condition 13.

Therefore pursuant to Condition 13 of the BT Licence the Director General makes the following determination:-

- 1 The Interim Charges (or means of calculating the charges) for each Standard Service listed in the Schedule to this determination shall be as provided in the Schedule.
- 2 The Interim Charges (or means of calculating the charges) as provided in the Schedule shall have effect from 1 April 1996.

ANNA WALKER

Deputy Director General of Telecommunications

(A person authorised in that behalf under paragraph 8 of the Telecommunications Act 1984).

12 November 1996

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OVERVIEW

This determination relates to the Interim Charges for BT's Standard Services for the year ending 31 March 1997. This is the second determination OFTEL has made of Interim Standard Charges. The first related to the Interim Charges for the year ended 31 March 1996 and was published on 30 January 1996.

The Interim Charges have been calculated using information drawn from BT's Financial Statements for the financial years 1994/95 and 1995/96. Taking the two determinations together, conveyance charges have been reduced by 30% to reflect the downward movement of costs (20% fall from 1994/95 to 1995/96 and a further anticipated 12% fall from 1995/96 to 1996/97). The non-conveyance charges are based on 1995/96 costs. Some of these charges have risen since the first determination and others have fallen.

When BT publishes its Financial Statements for the year ended 31 March 1997, OFTEL will recalculate the charges and determine the Final Charges payable for 1996/97.

OFTEL has made the same cost exclusions in this determination as it did in the 1995/96 determination (apart from a small additional exclusion consequential to the exclusion of some redundancy costs). The overall effect of the cost exclusions is to reduce conveyance charges by 3%. OFTEL is, however, still considering the exclusions disputed by BT and the matter will be finally decided in the determination of Final Charges.

Following a review of BT's cost of capital, OFTEL has notified BT that 12.5% is reasonable for the Systems Business and has used 12.5% rate of return on capital employed in this determination. This compares to a rate of 15% used in the 1995/96 determination.

OFTEL is proposing new arrangements for control of BT's network charges from August 1997. It is proposed that the last determination of charges for BT's standard services will be for the period 1 April 1997 to 31 July 1997. After that, new arrangements will apply whereby BT will have greater freedom to set charges within a specified framework. Further details will be set out in a Consultative Document due to be published at the end of November 1996.

SCHEDULE

INITIAL LIST OF STANDARD SERVICES

Category	Standard service	Charge Method of calculating charge/ Charge per minute	
Telephony and Basic ISDN calls to the BT Network		<i>using operator* services</i>	<i>not using operator services</i>
	DLE interconnect	0.506	0.451
	Single tandem	0.722	0.666
	Double plus tandem >0 – <100 km	0.951	0.895
	Double plus tandem 100 – <200 km	1.053	0.997
	Double plus tandem 200+ km	1.234	1.179
	DLE interconnect of ISDN	0.506	0.451
	Single tandem interconnect of ISDN	0.722	0.666
	Double plus tandem interconnect of ISDN:		
	>0 – <100 km	0.951	0.895
	100 – <200 km	1.053	0.997
	200+ km	1.234	1.179
	<p>All the above charges shall be multiplied by the tariff gradient to give charges by time of day and day of week. See Addendum 7.</p> <p>*These are charges where Operators have indirect access customers who use BT's non chargeable operator services, eg 999 calls.</p>		

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Freefone 0800* *Includes Freefone Number via Operator	Access to BT's Freefone service	See Addendum 6
Lo-call 0345 calls	Access to BT's Lo-call fee service	See Addendum 6
BT Premium Rate Services	Access to BT's PRS 0891 Access to BT's PRS 0894-1/2 & 0894-5/9 Access to BT's PRS 0897 Access to BT's PRS 0898	See Addendum 6
National Call 0990 calls	Access to BT's National Call service	See Addendum 6
National Operator Assistance Service	Access to BT's operator assistance Access to BT's operator assistance & onward successful calls Inland transfer charge calls to another operator's customer	48.44p per call 47.96p per call plus 1.83p/min conveyance 57.23p per call plus 1.84p/min conveyance
Directory Enquiry Service	Access to BT's directory assistance Access to BT's blind & disabled directory assistance	22.10p per call 35.24p per call
International Operator Assistance Service	Access to BT's international operator assistance & onward successful call Personal call charge fee Incoming international transfer charge calls	See Addendum 3 £4.25 See Addendum 3
International Directory Enquiry Service	Access to BT's international directory assistance	126.32p per call
Emergency Service	Access to BT's emergency services ▪ call charge (Fixed/Mobile) ▪ Fixed – emergency operator training ▪ Mobile – emergency operator training	49.32p per call £1107 £1860

Customer Sited Interconnect	2 Mbit/s Interconnection Links	
	line – connection	£1422.07 per 2 Mbit/s
	line – fixed rental	£4040.48 per 2 Mbit/s per year
	line per km rental*	£27.04 per km per 2 Mbit/s per year
	Intrabuilding Links:	
	connection	£1764.36 per 2 Mbit/s
	rental	£113.18 per 2 Mbit/s per year
	Signalling Link Set:	
	connection	£4239.93 per 2 x 2 Mbit/s
	rental	£312.91 per 2 x 2 Mbit/s per year
	Additional Route type if ordered at same time as Signalling Link Set – connection charge	£549.44 per Traffic Route
	Additional Route Type if ordered subsequent to Signalling Link Set – connection charge	£880.08 per Traffic Route
	Shared use of signalling on a Signalling Link Set up to 40 x 2 Mbit/s Links	
	connection	£385.01 per 2Mbit/s
	rental	£44.46 per 2 Mbit/s per year
	Multiplexor Service for PDH	
	connection	£382.58 per 2 Mbit/s
	rental	£19.40 per 2 Mbit/s per year
	Re-arrangements	See Addendum 4
	Line Terminating Equipment	
	connection	£177.04 per 2Mbit/s
	rental	£4.04 per 2Mbit/s per year

* These rates are per route km. The charge per radial km will be 1.8 times the route per km charge.

In span connection via PDH In span connection via SDH	ISI Transmission link*	£47.14 per 100m per year
	Intrabuilding Links:	
	connection	£1764.36 per 2 Mbit/s
	rental	£113.18 per 2 Mbit/s per year
	Signalling Link Set:	
	connection	£4239.93 per 2 x 2 Mbit/s
	rental	£312.91 per 2 x 2 Mbit/s per year
	Additional Route type if ordered at same time as Signalling Link Set – connection charge	£549.72 per Traffic Route
	Additional Route type if ordered subsequent to Signalling Link Set – connection charge	£880.08 per Traffic Route
	Shared use of signalling on a Signalling Link Set up to 40 x 2 Mbit/s Links	
	connection	£385.01 per 2Mbit/s
	rental	£44.46 per 2Mbit/sper year
	Multiplexor Service for PDH	
	connection	£382.58 per 2 Mbit/s
	rental	£19.40 per 2 Mbit/s per year
Interconnection extension circuits	Multiplexor Service for SDH	
	connection	£629.75 per 2 Mbit/s
	rental	£132.17 per 2 Mbit/s per year
	Path Protection	
	connection	£2637.97 per 34 Mbit/s
		£3320.47 per 140 Mbit/s
	rental	£261.37 per 34 Mbit/s per year
		£328.63 per 140 Mbit/s per year
	Rearrangements	See Addendum 4
	Connection	£285.75 per 2 Mbit/s
	Rental – Fixed	£2727.06 per 2 Mbit/s per year
	Rental – Per km*	£18.63 per 2 Mbit/s per year

* These rates are per route km. The charge per radial km will be 1.8 times the route per km charge.

Data Management Amendments	New AFN New NNG New NNG discriminating down to single D digit New NNG discriminating down to number of D digits New NNG DE combination New NNG discriminating down to number of DE digits New indirect access code Change to NNG Change to AFN Change to NNG discriminating down to single D digit Change to NNG discriminating down to number of D digits Change to NNG DE combination Change to NNG discriminating down to a number of DE digits Change to indirect access code Emergency services set up charges	See Addendum 5
Entries on to BT's NIS	Data on to NIS via hardcopy Data on to NIS via disc Numbers on NIS via EDI Holding charge*	117 34p 8 86p 8 86p 34 04p
Access to the BT Directory Assistance Database	KDT terminals for DAS access Access to DAS (per terminal)	£90 £6242
Supply of BT Phonebooks	Paperback operator phonebooks† Bulk supply of phonebooks to Operator's premises‡ ▪ London-wide residential ▪ Order handling ▪ Delivery charge Bulk supply of phonebooks to Operator's customers ▪ London-wide residential ▪ Order handling	£6 50 each £1 28 each £2 55 each £275 £600 £1 40 each £2 80 each £275
Customised Phonebooks	Supply of Section 4 of the BT Phonebook ▪ London-wide residential ▪ Order handling ▪ Delivery charge	£0 97 each £2 25 each £275 £600
Download of BT's NIS Database	Download of information from NIS ▪ Set-up charge – Business ▪ Set-up charge – Residential ▪ Annual charge – Business ▪ Annual charge – Residential ▪ Delivery charge	PROPOSED TO BE DELETED BY LICENCE MODIFICATION

* Holding charge for business numbers is abated by £0.05 when they are resold.

† Volume discounts apply

Number of Books	0-10	11-20	21-50	51-100	>100
% discount	0	10	15	20	25
Unit price	6.50	5.85	5.53	5.20	4.88

‡ The bulk supply charges are fully discounted and relate to orders over 1000.

ADDENDUM 1

INTERNATIONAL DIRECT DIAL

Country	Band	DETERMINED CHARGES (C)			
		ISC Interconnect		DMSU Interconnect	
		Cheap p/min	Standard p/min	Cheap p/min	Standard p/min
BELGIUM	1	13.81	16.56	14.15	16.96
EIRE	1			7.21	10.46
*Northern Ireland/Eire cross border traffic				* 2.33	* 3.38
DENMARK	1	8.24	9.88	8.57	10.28
FRANCE	1	11.39	13.66	11.73	14.06
REMAINDERS BAND 1	1	14.45	17.33	14.79	17.74
GREECE	1	19.41	23.27	19.74	23.68
ITALY	1	18.75	22.48	19.09	22.89
LUXEMBOURG	1	12.26	14.71	12.60	15.11
NETHERLANDS	1	13.64	16.36	13.98	16.77
PORTUGAL	1	18.16	21.78	18.50	22.18
SPAIN	1	18.84	22.59	19.17	22.99
SWITZERLAND	1	10.29	12.35	10.63	12.75
GERMANY	1	7.65	9.18	7.99	9.58
AUSTRIA	2	15.15	18.02	15.49	18.42
CYPRUS	2	20.38	24.24	20.72	24.64
FINLAND	2	12.45	14.81	12.79	15.21
MALTA	2	16.83	20.01	17.17	20.42
NORWAY	2	11.41	13.56	11.74	13.96
POLAND	2	16.41	19.52	16.75	19.92
REMAINDER BAND 2	2	14.02	16.68	14.36	17.08
SWEDEN	2	9.12	10.85	9.46	11.25

(*This charge does not apply to traffic originating from other parts of the United Kingdom)

INTERNATIONAL DIRECT DIAL

Country	Band	DETERMINED CHARGES (C)			
		ISC Interconnect		DMSU Interconnect	
		Cheap p/min	Standard p/min	Cheap p/min	Standard p/min
LIBYA	3	24.72	29.28	25.07	29.69
TURKEY	3	17.75	21.02	18.09	21.43
FORMER YUGOSLAVIA	3	21.03	24.91	21.38	25.32
REMAINDERS BAND 3	3	20.28	24.01	20.62	24.42
CANADA	4	11.01	11.99	11.37	12.38
USA	4	12.24	13.32	12.60	13.72
BARBADOS	5	54.81	64.74	55.16	65.15
BERMUDA	5	47.35	55.93	47.70	56.34
JAMAICA	5	50.26	59.36	50.61	59.78
REMAINDERS BAND 5	5	49.39	58.33	49.74	58.75
TRINIDAD	5	50.57	59.74	50.93	60.16
AUSTRALIA	6	16.95	20.02	17.30	20.43
NEW ZEALAND	6	20.89	24.67	21.24	25.08
HONG KONG	7	24.42	30.76	24.74	31.16
SINGAPORE	7	30.81	38.81	31.13	39.21
CHARGE BAND 8	8	46.38	57.23	46.71	57.63
BAHRAIN	9	49.82	58.09	50.17	58.49
EGYPT	9	58.84	68.60	59.18	69.00
CHARGE BAND 9	9	63.11	73.58	63.46	73.99
CHARGE BAND 10	10	55.14	65.11	55.48	65.51
JAPAN	11	40.68	44.15	41.04	44.53
CHARGE BAND 12	12	59.85	62.51	60.21	62.88
CHARGE BAND 13	13	58.83	61.60	59.19	61.98

ADDENDUM 2

INTERNATIONAL ISDN

<u>Country</u> (Authorised Overseas)	<u>Interconnection at ISC</u> Charge/Pence Per Minute	<u>Interconnection at DMSU</u> Charge/Pence Per Minute
AUSTRALIA	54.63	55.00
AUSTRIA	21.48	21.85
BELGIUM	21.48	21.85
BERMUDA	30.10	30.47
CANADA	30.10	30.47
DENMARK	21.48	21.85
FINLAND	21.48	21.85
FRANCE	21.48	21.85
GERMANY	21.48	21.85
HONG KONG	54.63	55.00
EIRE	21.48	21.85
ITALY	21.48	21.85
JAPAN	114.00	114.37
NETHERLANDS	21.48	21.85
NEW ZEALAND	54.63	55.00
NORWAY	21.48	21.85
PHILIPPINES	47.46	47.84
PORTUGAL	21.48	21.85
SINGAPORE	54.63	55.00
SPAIN	21.48	21.85
SWEDEN	21.48	21.85
SWITZERLAND	21.48	21.85
TAIWAN	47.46	47.84
USA	30.10	30.47

ADDENDUM 3

ACCESS TO OPERATOR'S INTERNATIONAL ASSISTANCE*

Band	Total charge Pence per minute (£)
1	40.05
2	41.35
3	47.63
4	35.77
5	82.39
6	46.94
7	56.72
8	80.32
9	84.32
10	90.51
11	75.75
12	97.75
13	99.72
Eire	30.09

* In addition to the above there is an inland conveyance charge of 0.454 pence per minute.

INCOMING INTERNATIONAL TRANSFER CHARGE

Band	Charge £ per call	plus Charge £ per minute
1	3.28	0.185
2	2.78	0.208
3	1.62	0.408
4	1.27	0.599
Eire	0.65	0.088

* In addition to the above there is an inland conveyance charge of 0.335 pence per minute.

ADDENDUM 4

2 MBIT/S INTERCONNECT LINKS: RE-ARRANGEMENTS

○	of a Route Type	£737.68 per Traffic Route
○	of a Signalling Link Set including one Route Type, to a different Operator Switch Connection	£1,158.05 per 2x2Mbit/s
○	of an additional Route Type to a different Operator Switch Connection	£549.72 per Traffic Route
○	of an Intrabuilding Link to a different Operator Switch Connection	£737.68 per 2Mbit/s
○	of a Signalling Link Set including one Route Type, to a different BT Switch Connection	£2,766.88 per 2x2Mbit/s
○	of an additional Route Type to a different BT Switch Connection	549.72 per Traffic Route
○	of an Intrabuilding Link to a different BT Switch Connection	£1,501.62 per 2Mbit/s
○	BT Switch modification due to Operator bearer change	£827.22 per 2Mbit/s

ADDENDUM 5

DATA MANAGEMENT AMENDMENTS

1 Initial set-up

1.1 New Numbering Requirements

Description

Fixed Charge	£ 2,038.72
Zone Charge	£45.27

Processor Charge

System X Exchange	£47.37
AXE10 Exchange	£49.59
BT ALE	£66.64

1.2 Where the Operator requests more than one D or E digit to be implemented at the same time at a particular BT Switch, then the Processor Charge for the second and each further D or E digit implementation shall be:

System X Exchange	£18.88
AXE10 Exchange	£21.10
BT ALE	£24.99

1.3 Where the Operator requires the implementation of a four-digit Access Code via BT ALEs, additional work will need to be done at BT Tandem Exchanges to which those BT ALEs have direct traffic routes. In addition to the above initial set-up charges, the following charges shall also be payable when implemented at the same time as the Access Code on digital exchanges.

Description

Fixed Charge	£1,585.00
Charge per BT Tandem Exchange affected	£222.09

Note: If the work is to be completed separately from the Access Code on digital exchanges, then paragraph 2.4 shall apply.

2 Amendments

2.1 Changes to Traffic Routes

Description

Fixed Charge	£2,038.72
Zone Charge	£45.27

Processor Charge

Systems X Exchange	£40.43
AXE10 Exchange	£52.10
BT ALE	£79.67

Where the Operator's requirements result in more than one change to Traffic Routes to be implemented at the same time at a particular BT Switch, then the Processor charge for the second and each further change to the Traffic Routes shall be:

System X Exchange	£21.10
AXE10 Exchange	£51.84
BT ALE	£73.88

2.2 Changes to BT Charge Band allocations

Description

Fixed Charge	£2,038.72
Zone Charge	£45.27

Processor Charge

System X Exchange	£39.04
AXE10 Exchange	£49.87
BT ALE	£83.57

Where the Operator's requirement results in more than one change to BT Charge Band allocation to be implemented at the same time at a particular BT Switch, then the Processor Charge for the second and each further change to BT Charge Band allocation shall be:

System X Exchange	£20.26
AXE10 Exchange	£23.87
BT ALE	£29.99

2.3 Expansion of an existing NNG down to two D digits with different charging:

Description

Fixed Charge	£2,038.72
Zone Charge	£45.27

Processor Charge

System X Exchange	£71.54
AXE10 Exchange	£60.14
BT ALE	£82.44

2.4 Where the Operator requires the implementation of a four-digit Access Code at BT ALEs separately from the Initial Set-up on digital exchanges, then the following charges shall be payable:

Description

Fixed Charge	£2,038.72
Charge per Exchange Affected	£222.09

3 Set-up charges to emergency services

Description

Fixed Charge	£1,263.66
Zone Charge	£45.27

Processor Charge

Fixed Operator	£50.98
Mobile operator (new)	£55.43
Mobile operator (existing)	£27.67

ADDENDUM 6

NUMBER TRANSLATION SERVICES

The Director General determines that for access to Freefone, Lo-call, National Call and Premium Rate Services, the originating Operator ("ONO") will pay to BT the Deemed Retail Price for the call on the basis that BT covers the ONO's costs of conveyance of the call over the network of the ONO, by paying the ONO the rate which has been determined by the Director General for conveyance over a single tandem segment of the BT Applicable Systems uplifted by 45.3% to allow for the ONO's additional retail costs.

The Deemed Retail Price is:

- in the case of Freefone services, zero;
- in the case of Lo-call services (0345) and National Call (0990) services, the retail price charged by the ONO for local or national calls (exclusive of VAT), as the case may be, minus the ONO's average discounts for such calls based on the ONO's average revenue figures (or, if the ONO's discounted price is greater than BT's retail price in effect at the time of the call minus 7.5%) then BT's retail price for the call minus 7.5%;
- in the case of Premium Rate Services, BT's retail price from time to time minus 3.5% (to allow for average discounts) and minus a further 4.4% to compensate for bad debts.

Annex Four to the Explanatory Document illustrates this determination. This determination does not apply to calls which rely on the Freefone 0800 number to access the telephony services of another Operator. This determination does not cover access to 0894-4 (wireplay) or 0898-2 to 0898-9.

ADDENDUM 7

CONVEYANCE CHARGES BY TARIFF GRADIENT

	Daytime	Evening	Weekend
	1.289	0.761	0.587
DLE interconnect	0.581	0.343	0.265
Single Tandem	0.859	0.507	0.391
Double Tandem Short	1.154	0.681	0.525
Double Tandem Medium	1.285	0.759	0.585
Double Tandem Long	1.519	0.897	0.692
Single Transit	0.204	0.121	0.093
Double Tandem Short	0.531	0.314	0.242
Double Tandem Medium	0.596	0.352	0.272
Double Tandem Long	0.712	0.421	0.324

Using Operator Services

	Daytime	Evening	Weekend
	1.289	0.761	0.587
DLE interconnect	0.653	0.385	0.297
Single Tandem	0.930	0.549	0.424
Double Tandem Short	1.226	0.724	0.558
Double Tandem Medium	1.357	0.801	0.618
Double Tandem Long	1.591	0.939	0.725

Note

Double Tandem Short	= >0<100km
Double Tandem Medium	= 100<200km
Double Tandem Long	= 200+km

EXPLANATORY DOCUMENT

Introduction

1 British Telecommunications plc (BT) has referred to the Director General of Telecommunications (the "Director General") for determination in accordance with Condition 13 of the BT Licence, the Interim Charges (or means of calculating the Interim Charges) payable by an Operator of a Relevant Connectable System (as defined in Condition 13) to BT for its 1996/97 financial year for the Standard Services, the charges for which have previously been determined by the Director General pursuant to Condition 13.

2 On 30 January 1996 the Director General determined the charges, for all the services on the list of Initial Standard Services which BT and OFTEL agreed on 31 March 1995 (except for 'Licence to use BT's NIS Database' the reasons for which are set out at paragraph 51).

3 The conveyance charges in the Schedule to this determination are based on forecasts which are based principally on BT's audited Financial Statements for the year ending 31 March 1995 and for the year ending 31 March 1996. The non-conveyance charges are principally based on BT's audited Financial Statements for the year ending 31 March 1996. However, the Director General will re-determine both the conveyance and non-conveyance Final Charges on the basis of BT's audited Financial Statements for the year ending 31 March 1997 which BT are required to publish, by the end of July 1997.

Future Developments

4 In June 1996, OFTEL published a Statement – *Pricing of Telecommunications Services from 1997* – which contained proposals for new arrangements for control of both BT's retail prices and its network charges. Details of the proposals for new arrangements on network charges are set out in detail in Chapter 4 of the document. From August 1997, instead of the current system of annual determinations of the charges for BT's Standard Services, OFTEL is proposing that BT would be free to set charges itself as long as they were above floors based on long run incremental costs of the service and below stand alone costs and subject to the further requirements that:

- call termination charges would be subject to a network charge cap and required to reduce by RPI – X each year;
- call origination, local tandem conveyance and a new single transit service would be included in a general network basket whose charges would also be subject to an RPI – X control;
- charges for inter-tandem conveyance, IDD and IPLCs would rise by no more than RPI each year.

A further consultative document will be issued in November 1996.

Effective Date

5 The charges (or the means of calculating charges) in the Schedule to this determination are effective from 1 April 1996. It is OFTEL's view that, should the Interim Charges for 1997/98 not be determined by 1 April 1997, these Interim Charges will continue to apply until that determination is made (subject to Condition 16B.5 of the BT Licence).

Condition 13

6 BT is required by Condition 13 of the BT Licence to enter into an agreement to connect its telecommunication systems with that of another licensed Public Telecommunications Operator (PTO) or any other Operator licensed to run a Relevant Connectable System if required by that Operator to do so.

7 Under Condition 13.5(2), when the charge for a Standard Service is referred, the Director General must determine the charge (or means of calculating the charge) which covers the fully allocated costs attributable to the service provided including or taking into account relevant overheads and a reasonable rate of return on attributable assets (that is the Applicable Rate of Return on relevant capital employed – see paragraph 46).

8 Provisions for calculating the charges for conveying a call are set out in Condition 13.5A.3 of the BT Licence. The charges payable in respect of the establishment of a connection between BT's systems and the systems of other Operators are calculated in accordance with Condition 13.5C of the BT Licence which, at Condition 13.5C.1, provides that the costs of establishing such connection (excluding transmission capacity) are to be shared between the parties according to the proportions in which each of them will bill the customers originating calls which are to be conveyed over the point of connection. The proportions must be derived from forecasts by each party of the capacity required to convey those calls for which the respective parties will bill customers originating them. The charges payable for other Standard Services are calculated in accordance with Condition 13.5(a).

9 The Interim Charges in the Schedule to this determination have been calculated in accordance with Condition 13.5A.3A in the case of call conveyance charges and Condition 13.5C.6 for connection and other Standard Service charges.

10 Conditions 13.5A.3B and 13.5C.6 provide that if the Interim Charge is different from the Final Charge, BT or the Operator, as the case may be, will repay the difference plus interest. The applicable annual percentage rate set in Condition 13.5A.3B(b) is the London Inter Bank Offered Rate (LIBOR) plus 3/8 per cent.

11 BT has agreed to modifications of the BT Licence to abolish the requirement under Condition 13.5A.3 for interconnecting Operators to pay a Contribution to BT's Access Deficit ('ADC') in any period after 7 February 1996. Thus ADCs are not payable for the period covered by this determination.

Condition 16B

12 This Condition requires BT to refer for determination the charges for Standard Services previously determined by the Director General each year.

Standard Services

13 A Standard Service is a service which an Operator has required from BT and which BT is obliged to provide under Condition 13.

14 The charges for Standard Services which are determined by the Director General in each year are based on the costs of unbundled components and parts. The underlying principle is that costs should be allocated to components and parts, whilst recognising that interconnection is purchased as a service. All Operators are entitled to purchase each Standard Service from BT at the same charge. The same charges for the same network components and parts should also be charged by BT Network to the BT Retail Systems Business.

15 The Director General determines charges for the Standard Services for each financial year based on information produced by BT primarily in their audited Financial Statements and forecasts provided by BT.

Director General's Power To Consent To Lower Charges

16 The charges payable for each Standard Service are determined by the Director General on the basis set out in Condition 13. However, in accordance with Condition 16B.5, BT is entitled to seek the Director General's consent to charge a lower amount. If consent is given, BT will be entitled to offer the New Charge on a non-discriminatory basis to all Operators and to back-date the New Charge (subject to the terms of the consent). On 15 March 1996, BT requested consent to provide access to its Directory Assistance Services for 1996/97 at a charge of 23 pence per call. OFTEL consulted on this and Operator comments have been received. The charges determined here are based on information not available at the time of BT's request, and are 22.1 pence per call for standard access and 35.24 pence per call for access to Blind and Disabled Directory Assistance. Consent is no longer appropriate for standard access to Directory Assistance but the Director is minded to issue a draft consent to the request for Blind and Disabled Directory Assistance which we expect to issue for consultation by the end of November 1996.

Competitive Services

17 In accordance with Condition 16B.6, the Director General may, following representations from BT or Operators, determine the market for a Standard Service to be competitive. Following such a determination, BT will be free to set the charges payable by Operators for that service but all Operators must be offered the same charges. The Director General may also, following representations from BT or Operators, determine that the market for a Competitive Standard Service has ceased to be competitive. The Director General received a request from BT, on 29 August 1996, to determine whether or not the market for certain IDD routes is competitive. Operator comments have been received and are being considered. It is proposed to make a draft determination on the issue in early December 1996.